

# **THE LEONARD LETTER**

*A weekly electronic newsletter about  
California government, business and taxes  
Bill Leonard, Member  
State Board of Equalization*

*March 29, 2004*

To unsubscribe from the Leonard Letter, go to this link or cut and paste it into your browser's address line: <http://www.billleonard.org/unsubscribe.asp>

To subscribe or to subscribe a friend go to [www.billleonard.org](http://www.billleonard.org), click on Subscribe, enter your address and click Send Request.

## **TAX NOTES**

### **\*\*\*Do You Owe Use Tax?\*\*\***

As the April 15<sup>th</sup> filing deadline approaches for personal income taxes, consider that you may also owe use tax on items you purchases from out-of-state sellers in 2003 for which you did not pay California sales tax. The use tax applies to an out-of-state purchase when you use, store, give away, or otherwise consume the purchased product in California. This is true whether you buy the item in person in another state (or country), over the Internet, or by mail or phone. Generally, if sales tax applies to the sale of an item in California, use tax applies to the purchase of a similar item from an out-of-state seller. This is an awful tax and at the very least the first several thousand dollars of out of state purchases ought to be exempt just to keep the paperwork and blood pressure down.

Beginning this year, all California income tax returns include a line on which you can report any use tax you owe. While the income tax return provides an option for use tax payment, you can choose instead to file the use tax return in the BOE publication 79-B, California Use Tax. If you have a seller's permit, you must continue to report your purchases subject to use tax on your sales and use tax return.

The use tax has been on the books since 1933. Few people know about it and even fewer pay it. I believe we should set a threshold that requires payment of the use tax only when out-of-state purchases exceed a large amount or just repeal it. But until we can convince the legislature to make that change, we owe use tax on anything and everything that qualifies.

### **\*\*\*Free E-filing Offer\*\*\***

A company located in Oxnard, Fileyourtaxes.com, had a promotion for California residents in which they offered free federal and California state personal income tax return construction and eFiling for the 2003 tax year. The free offer was only for March 25 and 26. I checked with the Franchise Tax Board, and they said the company and its offer, was legitimate. I would very much like to hear from anyone who used this service. I would like to know if the people who took advantage of this offer and whether they are satisfied. I did not hear about this until the deadline had passed. I am disappointed that the Franchise Tax Board would first endorse this private company's program and then not do much to tell taxpayers about it.

### **\*\*\*New Taxpayer Rights Advocate\*\*\***

Todd Gilman has been appointed as the Board's new Taxpayers' Rights Advocate. I am pleased with Mr. Gilman's appointment and believe he will do an outstanding job representing taxpayer interests. He has worked in the Taxpayers' Rights and Equal Employment Opportunity Division since August 2001. His experience in the department qualifies him to be responsible for helping resolve taxpayer problems and complaints. If you have a problem or complaint, call me and the Advocate's Office at 1-888-324-2798.

## **UNDER THE DOME**

### **\*\*\*Blowing Up Boxes\*\*\***

Governor Schwarzenegger called on all Californians, particularly state employees, to help identify those areas of state government that could be made more efficient. To accomplish this, he has created the California Performance Review (CPR) project to comprehensively examine what state government does and how it does it. CPR has four charges: Executive Branch Reorganization; Program Performance Assessment and Budgeting; Improved Services and Productivity; and Acquisition Reform. Over the next several editions of the Leonard Letter, I will be looking at each of the areas and soliciting your recommendations.

The Governor's guiding assumption about the Executive Branch Reorganization is clear and accurate: "The organization of California's state government today does not facilitate rational decision-making in the public's interest." He speaks about the sheer number of boards, commissions, agencies and departments without clear lines of authority or responsibility, noting that they do not produce outcomes for which any elected official can be held accountable by voters. Staff is frustrated with the lack of flexibility and bureaucratic inertia, taxpayers are angry about waste and worthwhile policy goals languish. The Governor is asking the CPR staff to examine the function of each agency and board and make recommendations for consolidating or eliminating them so that a new system encourages innovation rather than stifling progress.

For more about the California Performance Review project, see <http://cpr.ca.gov/>. See

below my top recommendation to the Governor for making needed changes to the state's taxing agencies.

### **\*\*\*FTB vs. BOE\*\*\***

After last week's article explaining the different roles of the Taxpayer Advocate offices in the Board of Equalization and Franchise Tax Board, I received inquiries from readers asking me to clarify the difference between the two boards and wondering why we have two tax collecting agencies in California.

The FTB collects personal income taxes. The BOE collects sales and use taxes along with more than 30 other special program fees and taxes, creates the rules for county assessors, and serves as the appeals board for sales tax disputes, property tax rulings and FTB decisions on income tax. The BOE is the only elected tax board in the U.S. and as such helps protect the taxpayers' rights.

I believe, and have recommended to the Governor, that the functions of the BOE and FTB be consolidated into one agency under the authority of the elected Board of Equalization. We would gain efficiencies in the collection and administration of all the different taxes and streamline taxpayers' ability to communication with their tax officials. I believe we would be able to increase attention to taxpayers' rights by having elected officials oversee all taxes, rather than just some of them.

## **AROUND THE STATE**

### **\*\*\*More Jobs Lost\*\*\***

I received the bad news this week that a company I have helped over the years with many state regulation and job climate issues is throwing in the towel. InterMetro Industries of Rancho Cucamonga tells me the allure of China was a factor, but "the high cost of doing business in CA makes it difficult for companies to survive." It is a new world order and Sacramento needs to wake up and lead our state to a more job friendly climate to stem these losses. Between 150 and 200 jobs will be lost.

### **\*\*\*Victims Rights\*\*\***

As you will see in the Dates section below, we are approaching the annual National Victims Rights Week, April 18-24, 2004, which is sponsored by the National Organization for Victims Assistance. In my years in the state legislature, I was always touched to come to the State Capitol during that week and see the photographs and families of victims of crime. These people, in the midst of their personal sorrow and tragedy, are reaching out to others, providing comfort and counseling, and working to improve the laws and legal processes better serve the victims of crime. This year, April 20 is the Victims Rights march on the Capitol in Sacramento.

## **BOE AND LEGISLATIVE DATES**

**April 1, 2004** --- Legislature's spring (formerly Easter) recess begins upon adjournment

**April 12, 2004** --- Legislature reconvenes

**April 13, 2004** --- Board of Equalization meets in Sacramento

**April 15, 2004** --- Last day for policy committees to hear and report fiscal bills

**April 20, 2004** --- Victims Rights March on the Capitol in Sacramento

**May 7, 2004** --- Last day for policy committees to hear and report non-fiscal bills

## **NOTABLE DATES/ HISTORY**

**March 29, 1867** --- Congress approves Lincoln Memorial

**March 30, 1867** --- U.S. purchases Alaska from Russia for \$7,200,000 (2¢ an acre-Seward's Folly)

**March 30, 1870** --- 15th Amendment goes into effect, guarantees right to vote regardless of race

**March 30, 1981** --- President Reagan shot & wounded by John W Hinckley Jr. Two police officers and Press Secretary James Brady were also wounded.

**March 31, 1918** --- First daylight savings time in US goes into effect

**March 31, 1922** --- KFI-AM in Los Angeles, CA begins radio transmissions

**April 1, 1621** --- The Plymouth, Massachusetts, colonists created the first treaty with Native Americans

**April 1, 1945** --- U.S. forces launch invasion of Okinawa during WWII

**April 1, 1954** --- U.S. Air Force Academy established

**April 2, 1963** --- Reverend Dr. Martin Luther King began the first non-violent campaign in Birmingham, AL.

**April 3, 1790** --- Revenue Marine Service (U.S. Coast Guard), created

**April 4, 1818** --- Congress decided U.S. flag is 13 red & white stripes & 20 stars

**April 4, 1850** --- City of Los Angeles incorporated

**April 3, 1862** --- Slavery was abolished in Washington, D.C.

**April 4, 1916** --- U.S. Senate agrees (82-6) to participate in WWI

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office, call toll-free 1-888-324-2798.

## **HOW TO CONTACT ME**

Bill Leonard  
Board of Equalization  
400 Capitol Mall, Suite 2340  
Sacramento, CA 95814  
Telephone: (916) 445-2181  
Fax: (916) 327-4003

Email: [bill.leonard@billleonard.org](mailto:bill.leonard@billleonard.org)